



CONTENTS

| | |
|--------------------------------|----|
| INDUSTRY AT A GLANCE | 2 |
| KEY DEVELOPMENTS | 3 |
| Marketing..... | 3 |
| Operations | 4 |
| Mergers and Acquisitions | 5 |
| Research and Development..... | 5 |
| INDUSTRY STATISTICS | 7 |
| PRODUCT FOCUS | 8 |
| MOPED | 8 |
| Introduction..... | 8 |
| Indian Scenario | 8 |
| Top companies performance..... | 9 |
| Outlook | 9 |
| COMPANY SCAN..... | 10 |
| TVS Motor Company Ltd..... | 10 |
| Introduction..... | 10 |
| Cost Structure Analysis | 12 |
| Stock Performance..... | 12 |
| Outlook | 13 |
| STOCK SCAN | 14 |
| UPCOMING EVENTS | 15 |

INDUSTRY AT A GLANCE

Marketing:

- GM says ready to compete in China mass car market, China
- Japan's auto output climbs 11.4% in Sept, vehicle exports rise Japan
- SkodaAuto India launches SUV Yeti, India
- Maruti regains 50% market share in car segment in October, India
- Volvo Auto India to launch SUV 'XC60' by November's last week, India
- Tata Motors says Oct global sales up 18%, India
- Carmakers turn to rural markets to speed up sales, India
- Toyota to begin bookings for Etios early next month, India

Operations:

- Toyota recalls 12,000 vehicles in Britain,UK
- Mitsubishi to recall 250,000 vehicles in Japan, Japan
- Mahindra to double output of its small tractor Yuvraj, India
- GM India's new engine plant at Talegaon goes onstream, India

Mergers and Acquisitions:

- Mahindras to seal deal with Ssangyong early next yrs, Korea
- Egypt's GB Auto in talks to team with Tata Motors, Egypt:

Research and Development:

- Chery Auto to road test three electric models in U.S., China
- Indo-Japan Collaboration in Technology & Research key to enhance growth, India

KEY DEVELOPMENTS

Marketing

Asia Pacific:

China: GM says ready to compete in China mass car market

General Motors Co. will launch its new Baojun brand cars this month to capture growth at the low-end of the Chinese market, competing with domestic makers such as Geely, Chery and BYD, announced its China chief. The Baojun brand, which is made by GM's SAIC-GM-Wuling Automotive Co. joint venture, will be introduced later in November and is scheduled to hit the market next year, declared president and managing director of GM's China operations. GM, the battered US auto giant, made inroads into the mass car market in China in January by rolling out the Chevrolet New Sail autos, made by its China venture with SAIC Motor Corp. The Baojun will be a full range of products that is targeting the low end of the segment," President of GM china operations announced.

Japan: Japan's auto output climbs 11.4% in Sept, vehicle exports rise

Japanese auto production climbed 11.4% in September from a year earlier, marking the 11th straight month of increase, the Japan Automobile Manufacturers Association (JAMA) announced. According to the industry body, the output of passenger vehicles rose 10.6% in the recording period from a year earlier and that of trucks rose 19.1%. Production of trucks in September was up 7.3% on year, it added. While all major automakers in Japan reported strong output increase in September, production of Toyota vehicles fell 1.4%, according to the JAMA report. However, whilst production in September continued its upward trend, domestic sales of automobiles dropped 1.2% on year to 472,000 units. JAMA also reported on Friday that Japan's exports of cars, trucks and buses rose 10.8 percent year-on-year in September, increasing for the 9th straight month.

India: SkodaAuto India launches SUV Yeti

Premium automobile manufacturer SkodaAuto India launched its first sports utility vehicle (SUV) Yeti in the country, priced at Rs154m-Rs.166.2m(ex-showroom New Delhi). The Yeti will create a new SUV segment between the existing premium and low cost offers. And with an unrivalled price point, it gives us the confidence that Yeti would attract a new host of customers," announced director, sales and marketing SkodaAuto India. The SUV which comes in two variants, Ambiente and Elegance, is powered by a 2 litre TDI CR (common rail diesel) engine, with a maximum power of 140 bhp at 4200 rpm. Yeti has a six-speed manual transmission and high-pressure direct injection technology system with a mileage of 17.67 km per litre. It has leather interiors with colour tones of black and beige.

Maruti regains 50% market share in car segment in October

The country's biggest car maker Maruti Suzuki India (MSI) has regained over 50% market share in the passenger cars segment in October, after four consecutive months of remaining below the coveted mark. According to figures released by the Society of Indian Automobile manufacturers (SIAM), MSI sold 91,754 units of passenger cars out of a total market of 1,82,992 units, garnering 50.14% market share. The company's sales have been boosted by its models like Alto, Wagon R, Estilo, Swift, Ritz and A-Star, which had combined sales of 77,502 units in October. In the wake of increasing competition from rivals like Hyundai, General Motors and Ford, MSI's market share dipped to 43.62% in the car segment in June selling 61,589 units out of a total of 1,41,184 units sold in the domestic market. In October, MSI had sold a total of 1,18,908 units, including exports, which was its highest ever monthly sales, a robust 39.21% jump over the year-ago period.

Volvo Auto India to launch SUV 'XC60' by November's last week

Auto maker Volvo Auto India announced that it will launch its luxury sports utility vehicle (SUV) Volvo XC60 towards the last week of this month. While the company is yet to announce the price, it announced the new vehicle will be packed with unique features including performance, advanced technologies and Scandinavian design. Volvo XC60 has received high appreciation across the world since its introduction because of its unparalleled driving pleasure, contemporary styling, and advanced technological features, announced the Volvo Auto India Managing Director. The company currently sells two premium models in India - luxury SUV Volvo XC90 and luxury sedan Volvo S80.

Tata Motors says Oct global sales up 18%

The Tata Motors Group announced that its global sales have jumped 18% at 86,705 units in October this year, as compared to last year. The Group comprises of the Tata, Tata Daewoo and Hispano Carrocera range of commercial vehicles, Tata passenger vehicles along with distributed brands in India and Jaguar and Land Rover. The company sold 40,750 units of commercial vehicles in October 2010, clocking a growth rate of 20%. Its cumulative sales for the fiscal are 2,74,323 units, growth of 52%, a statement announced. The group's cumulative sales for the fiscal (April-October 2010) stood at 5,98,639 units, higher by 44%, as compared to the corresponding period last year. Tata Motors Group sold 45,955 units of passenger vehicles in October, growth of 17%. Its cumulative sales for the fiscal are 3,24,316 units, growth of 39%, the statement declared.

Carmakers turn to rural markets to speed up sales

With automobile sales zooming high, automakers are sprucing up their presence in rural markets that have emerged as one of the major revenue drivers for them. While some like Maruti Suzuki have decided to tie up with ITC's e-Choupal and Hariyali Kisaan Bazaar of DCM Shriram Group for better penetration into the rural markets, others like Hindustan Motors, Hyundai Motor India and General Motors are taking special initiatives focused at these markets to spruce up sales. And all these initiatives have already started to show results. Take the case of General Motors India. In 2009, rural sales of GM were around 20% and in 2010 rural sales have gone up to 30% of total sales. "From January to October 2010, we sold 93,960 units against 63,000 units in the same period last year, registering a growth of 73%.

Toyota to begin bookings for Etios early next month

Japanese auto major, Toyota, will commence bookings for its much-awaited small car, Etios, in India next month and is targeting a sale of 65,000 units next year, a top company official announced. It will launch Etios next month in Bangalore and will start bookings in the first week of December, announced the Toyota Kirloskar Motor's Managing Director. The Japanese car major, which is present in the country through a joint venture with the Kirloskar Group is investing Rs32000m to set up its second manufacturing facility in Bangalore to roll-out its first small car in India. They are eyeing a sale of 65,000 units out of a total target of 1.5 lakh units across models next year. The Toyota official, however, declined to divulge the price.

Operations

Europe:**Britain: Toyota recalls 12,000 vehicles in Britain**

Automobile giant Toyota Thursday announced a recall of around 12,000 vehicles in Britain because of a steering problem. The Japanese company is recalling the iQ car produced between September 2008 and October 2010, The Independent reported. Toyota announced that the steering problem can occur when iQ models are driven over rumble strips or speed-breakers. The company said though the problem has been seen in Japan, no cases have been reported in Europe and there have been no accidents. The iQ recall is the latest in a series of recalls by Toyota, totaling around 10 million vehicles worldwide in recent months

Asia pacific:**Japan: Mitsubishi to recall 250,000 vehicles in Japan**

Japan's fourth-largest automaker Mitsubishi Motors will recall about 250,000 vehicles in Japan due to engine oil leaks, the transport ministry announced. The recall will cover seven small models, such as the family-sized eK Wagon, as well as two models produced for the Nissan Motor brand, the Otti and Clipper. A total of 247,663 units will be recalled, according to the ministry. Mitsubishi said a faulty engine part could trigger an oil leakage and light up the oil pressure gauge on the dashboard. Continued use may cause parts inside the engine to burn and the vehicle may cease to operate, Mitsubishi announced. The recall covers vehicles produced from November 2003 through August 2005, the company announced.

India: Mahindra to double output of its small tractor Yuvraj

Auto major Mahindra & Mahindra announced that it will double the production of its small tractor Yuvraj, dubbed as the Nano of the farm sector, as it looks at a national roll-out next year. Priced at

Rs1.75 lakh, the 15 horse power tractor was launched targeting to upgrade farmers who are still relying on bullocks. At present the Yuvraj is available only in Gujarat and Maharashtra. Now we are test marketing in Tamil Nadu, Karnataka, Rajasthan and Uttar Pradesh, M & M Farm Equipment Sector Vice-President Marketing announced. He also stated that the company will make the Yuvraj available nationwide by next year. In eight months since the launch the firm has so far sold about 4,000 units.

India: GM India's new engine plant at Talegaon goes onstream

General Motors India has inaugurated a new engine production facility at Talegaon, near Pune, in Maharashtra. This is General Motors' first powertrain plant in the world that enables both petrol and diesel engines to be manufactured simultaneously," the company announced in a statement. The state-of-the-art facility represents an investment of over US\$230m. It has an initial annual production capacity of 160,000 engines and is designed to accommodate future expansion, it added. The new engine plant will produce engines for small passenger cars manufactured by GM in India, the company announced. This marks the beginning of GM's next chapter in India. The opening of our new facility will enable our company to become more competitive and keep up with the growing demand for our vehicles," GM India President and Managing Director announced.

Mergers and Acquisitions

Egypt:

Cairo: Egypt's GB Auto in talks to team with Tata Motors

GB Auto, Egypt's biggest listed automobile assembler, announced that it was negotiating with Tata Motors Ltd to sell its vehicles in the Arab world's most populous market. Egyptian automakers, most of which assemble foreign brands using imported parts, were hit hard by the global financial crisis last year, but sales are now growing at pre-crisis levels, partly thanks to a government plan to offer affordable cars to taxi drivers. GB Auto manufactures, assembles, imports and distributes vehicles for Hyundai Motor Co, Bajaj Auto Ltd, Mitsubishi Motors Corp, Volvo AB and Mazda Motor Corp.

Asia pacific:

Korea: Mahindras to seal deal with Ssangyong early next yrs

Indian utility vehicle maker Mahindra and Mahindra should seal the deal to acquire South Korea's third largest automobile brand Ssangyong for around US\$400-500m by early next year, Indian Ambassador here announced. Mahindra and Mahindra has been shortlisted as the preferred bidder for Ssangyong. This deal should go through in a couple of months, Tayal told reporters on the margins of the G20 Summit, where India is being represented by Prime Minister. Mahindra & Mahindra had entered into an agreement with the ailing Ssangyong Motor in August to acquire a majority stake in the South Korean sport utility vehicle maker and expand its business in international markets. The Chinese carmaker Shanghai Automotive Industry Corp had earlier failed to turn the company around and reduced its stake in SsangYong from 51% to 3.8%. Later a restructuring plan was approved in December last year for the company.

Research and Development

Asia pacific:

China: Chery Auto to road test three electric models in U.S.

Chery Auto will start road-testing three of its electric models in North America in three months, aided by Cerberus Capital Management LP, the US\$21 billion New York-based buyout firm, the China Youth Daily reported, citing General manger of Chery New Energy Automobile Technology Co., Ltd. The test will last for around eight months. If everything goes well, Chery will bring its S18 all-electric model to U.S. for a trial run then. Meanwhile, Chery will further improve the model in accordance with EU standards, planning to initially take it to Germany, announced at the 25th World Battery, Hybrid and Fuel Cell Electric Vehicle Symposium and Exhibition held in Shenzhen on November 5. The Anhui-based automaker launched its Chery Ruilin M1-EV on the same day, receiving more than 300 orders on the spot. Also built on the platform of the S18 model, this small electric car is powered by 45/60Ah lithium batteries and has a top speed of 120km/h on a single charge, giving a mileage of 150 km per liter. The car is priced between US\$22,600-US\$34,600.

India: Indo-Japan Collaboration in Technology & Research key to enhance growth

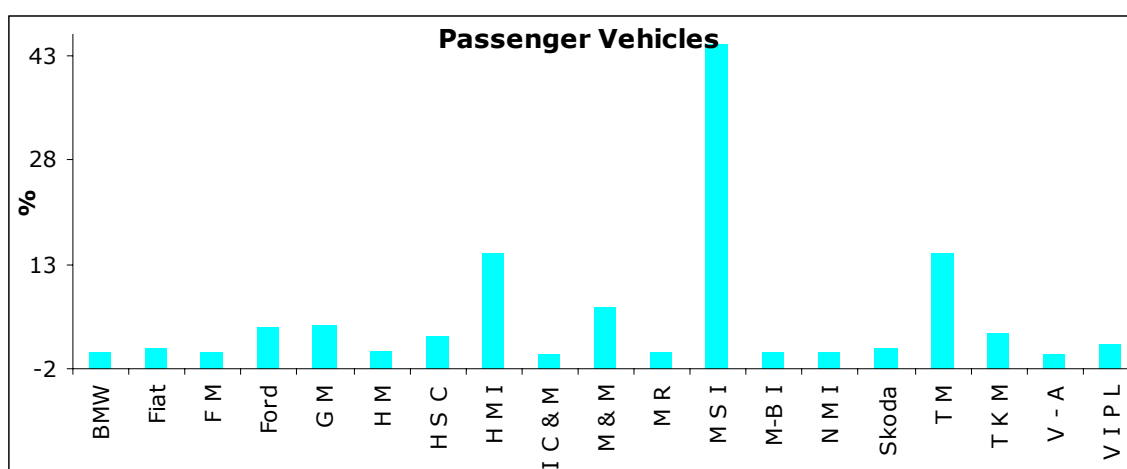
With growing cultural and economic tie, both Hiroshima and Tamil Nadu have great potential for cooperation in R & D and technology in high growth sectors” announced, Governor, Hiroshima Prefectural Government in his address at the India -Hiroshima Prefecture Business Matching Seminar 2010 organized by Confederation of Indian Industry (CII), here.As an economic nerve centre and a gateway to Japanese market, Hiroshima offers Indian industry opportunities for collaboration in developing modern technologies in aerospace, automobiles, robotics, environment and energy sectors said Mr Yuzaki.

INDUSTRY STATISTICS

Passenger Vehicles

| Manufacturers | Domestic Sales (In Nos) | | Market Share (In %) | |
|---------------------------------|----------------------------|----------------|------------------------|------------|
| | April-Oct | | April-Oct | |
| | 2009-10 | 2010-11 | 2009-10 | 2010-11 |
| BMW India Pvt Ltd | 2,089 | 3,427 | 0.20 | 0.24 |
| Fiat India Automobiles Pvt Ltd | 15,114 | 13,933 | 1.43 | 0.99 |
| Force Motors Ltd | 3,173 | 4,746 | 0.30 | 0.34 |
| Ford India Pvt Ltd | 17,667 | 56,928 | 1.68 | 4.04 |
| General Motors India Pvt Ltd | 40,045 | 61,810 | 3.80 | 4.39 |
| Hindustan Motors Ltd | 5,495 | 6,481 | 0.52 | 0.46 |
| Honda Siel Cars India Ltd | 34,430 | 35,446 | 3.27 | 2.52 |
| Hyundai Motor India Ltd | 172464 | 206906 | 16.37 | 14.69 |
| International Cars & Motors Ltd | 695 | 428 | 0.07 | 0.03 |
| Mahindra & Mahindra Ltd | 86,544 | 96,335 | 8.22 | 6.84 |
| Mahindra Renault Pvt Ltd | 3,302 | 4,948 | 0.31 | 0.35 |
| Maruti Suzuki India Ltd | 478049 | 628378 | 45.39 | 44.61 |
| Mercedes-Benz India Pvt Ltd | 1,869 | 3,306 | 0.18 | 0.23 |
| Nissan Motor India Pvt Ltd | 209 | 4,808 | 0.02 | 0.34 |
| SkodaAuto India Pvt Ltd | 9,454 | 10,165 | 0.90 | 0.72 |
| Tata Motors Ltd | 146721 | 203822 | 13.93 | 14.47 |
| Toyota Kirloskar Motor Pvt Ltd | 33,127 | 44,265 | 3.15 | 3.14 |
| Volkswagen - Audi | 1,095 | 1,892 | 0.10 | 0.13 |
| Volkswagen India Pvt Ltd | 1,722 | 20,451 | 0.16 | 1.45 |
| Total | 1053264 | 1408475 | 100 | 100 |

Source: SIAM, Cygnus Research



Source: SIAM, Cygnus Research

PRODUCT FOCUS

MOPED

Introduction

Mopeds are a type of low-powered motorcycle with pedals, designed to provide economical and relatively safe transport with minimal licensing requirements. Traditionally, mopeds are equipped with bicycle-like pedals, but mopeds are sometimes applied by governments to vehicles without pedals, based on their similar engine displacement, speed, and/or power output. Mopeds occasionally resemble powered bicycles, but most are now step-through designs and step-over designs similar to regular motorcycle. Although mopeds usually have two wheels, in some jurisdictions low-powered three or four wheeled vehicles are also classified as mopeds.



Uses

Mopeds provide a great transportation option for those living in urban and sub urban or who just need a low-powered vehicle. According to certain restrictions, most mopeds can't go faster than 35 mph.

Moped safety

Riding a moped safely has similar considerations to motorcycle safety. Their smaller size makes them harder to see, especially in the dark. Therefore, many mopeds are equipped with reflectors and other accessories.

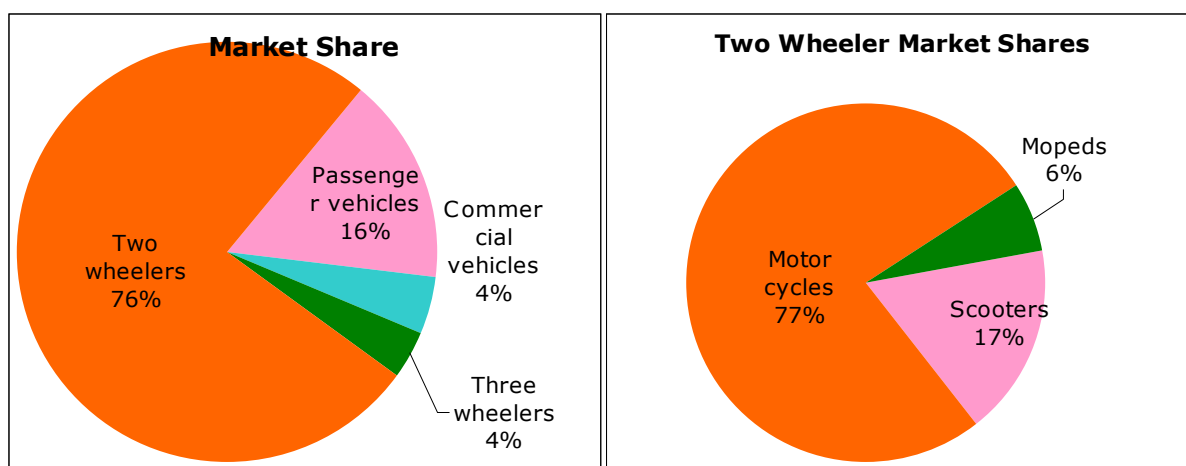
| The popular mopeds | |
|--------------------|-------------------------|
| Company | Models |
| Kinetic Motor | Kinetic V2 XL |
| | Kinetic V2 80 |
| | Kinetic King 100 |
| | Kinetic King Dlx |
| | Kinetic Luna Super |
| TVS Motor | TVS XL Super |
| | TVS XL Super Heavy Duty |

Advantages

- Offers finer control than larger bikes
- They are often less expensive to purchase
- Less expensive to operate as they are mostly low-powered vehicles
- They are a great alternative means of transportation

| Major Players |
|---------------|
| ➤ BAJAJ |
| ➤ Kinetic |
| ➤ TVS |

Indian Scenario



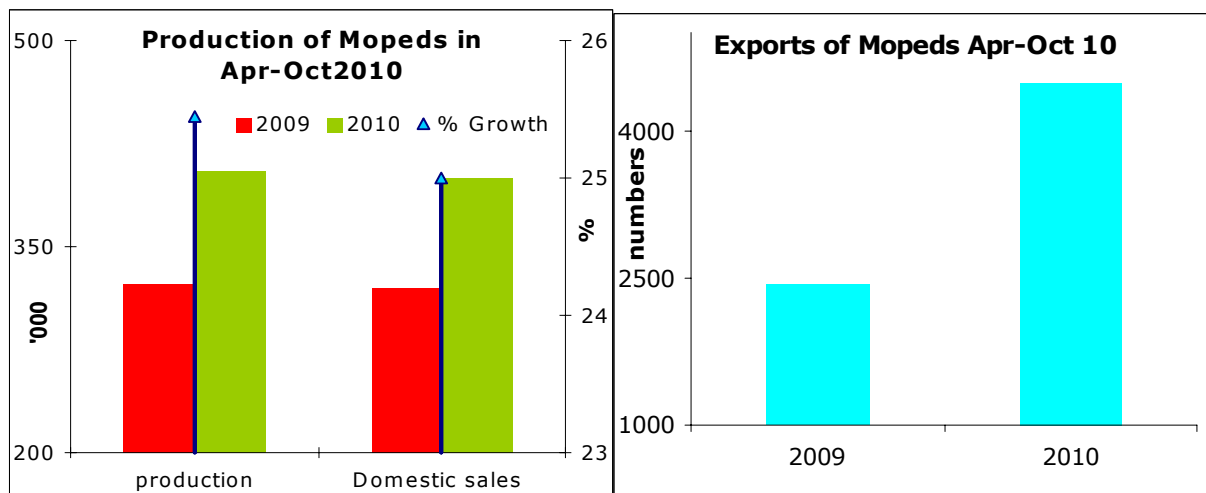
Source: SIAM; Cygnus Research

Two wheelers have played a pivotal role in surging growth of Indian automobile industry. Over the years the domestic sales of various two wheelers have grown in large numbers. Even in exports, the two wheelers have been able to maximise the profit margin of various manufacturers. In India, there are mainly three models of two wheelers namely, scooters, mopeds and motorcycles. At present, there is a huge demand for motorcycle models in India. India's major share of automobile industry goes to two wheelers only (nearly 76%). Passenger Vehicles (PVs) have got 16% share. Commercial Vehicles (CVs)

have got 4% share and three wheelers have got 4% share. Two-wheeler segment can be further segmented into Motor cycles, Scooters and Mopeds (include electric bikes). In the two wheeler segment, motor cycles segment covers a huge market share (77%) in terms of production and sales; scooters segment covers 17% and the remaining 6% of two wheeler industry is covered by Mopeds.

Moped production, Export and Domestic sales

Indian automobile sector’s growth is primarily driven by the two-wheeler segment, which continued its fast pace in first two quarters of 2010 with sales reaching at 400266 units, 25% higher than the sales in Apr-Oct 2009. During April to Oct the Indian automobile industry has produced 404707 mopeds which is a 25% increase against the previous year same period. Nearly 88% of the productions are sold in the domestic market and the rest 12% is exported from India to the rest of the world.



Source: SIAM; Cygnus Research

During April to Oct 2010, the domestic sale of the mopeds increased by 25% to 400266 against 320207 in the previous year same period. In the year 2010, the automobile industry showed good and positive signs of growth. In India, during April to July 2010, the sales of the automobile sector were increasing by 12% on MoM. Moped exports from India during April to October in 2010, increased by 84% to 4497 units respectively.

Top companies performance

With the commencement of the festival season in the month of September, Indian auto industry reported yet another strong set of volume numbers. This was despite a robust set of volume numbers, when inventories were built up for the festival season. Amongst two-wheeler manufacturers, Bajaj Auto registered 14.5% yoy growth and outperformed Hero Honda (4.2% yoy) and TVS Motors (3.9% yoy). Market leader Hero Honda’s growth of 4.2% yoy was the lowest in nine months. September sales for Hero Honda were 3.3% lower than the sales in August. For TVS Motors, the growth has primarily been on account of 24.1% yoy growth in scooters and mopeds sales. Motorcycle sales were lower by 14.8% yoy. Bajaj Auto reported its highest growth in 17 months with highest ever export volumes and 13.2% yoy rise in domestic sales.

Outlook

Automobile financing has been increasing over the few months as banks start to lend aggressively. During FY10, credit availability was a major concern for the industry. With economy back on the growth track, the ratio of sales through financing has been increasing steadily. Outlook the month of October remained positive as companies entered the peak of the festival season. The growth for the industry is expected to normalise post festive season. Impact of poor monsoons will be seen with a lag, especially so for tractors and two-wheelers.

COMPANY SCAN

TVS Motor Company Ltd



Introduction

TVS Motor Company is the third largest two-wheeler manufacturer in India and one among the top ten in the world, with annual turnover of more than US\$1 billion in 2008-2009, and is the flagship company of the US\$4 billion TVS Group. The company has 4 plants - located at Hosur and Mysore in South India, in Himachal Pradesh, North India and one at Indonesia. The company has a production capacity of 2.5 million units a year.

TVS Motor's strength lies in design and development of new products - the latest launch of 7 products on the same day seen as a first in automotive history. TVS delivers total customer satisfaction by anticipating customer need and presenting quality vehicles at the right time and at the right price. TVS has always stood for innovative, easy to handle, environment friendly products, backed by reliable customer service.

Mission and Vision

Mission: The Company is committed to being a highly profitable, socially responsible, and leading manufacturer of high value for money, environmentally friendly, lifetime personal transportation products under the TVS brand, for customers predominantly in Asian markets and to provide fulfillment and prosperity for employees, dealers and suppliers.

Vision: TVS Motor will be responsive to customer requirements consonant with its core competence and profitability. TVS Motor will provide total customer satisfaction by giving the customer the right product, at the right price, at the right time.

Milestones:

- ✓ **2009-** TVS Flame SR125 and TVS Scooty Streak launched ,WEGO First scooter with body balanced launched , JIVE – the Auto Clutch bike launched
- ✓ **2008** -Apache Refresh with Rear Disc Brakes launched in December, it launched revolutionary 125cc FLAME in March.
- ✓ **2007-**TVS motor company rolled out seven new products in a short span
- ✓ **2006-**TVS launched its Indonesian plant
- ✓ **2005-**Launched TVS Apache, which set the youth's imagination on fire
- ✓ **2004**Setting benchmarks in mileage, it launched a world class 4-stroke 100cc motorcycle with the revolutionary VT-i engines for best in class mileage.
- ✓ **2003** TVS won TPM excellence Award from Japan Institute of Plat Maintenance (JIIPM)

Company Performance at a glance (Rs in million)

| | 2009-10 | 2008-09 | 2007-08 | 2006-07 |
|---------------------|----------|----------|----------|----------|
| Net Sales | 44301.34 | 37366.70 | 32195.00 | 38549.60 |
| PBIDT | 2418.69 | 1889.90 | 1321.50 | 2105.30 |
| OPM (%) | 5.46 | 5.06 | 4.1 | 5.46 |
| NPM (%) | 1.99 | 0.83 | 0.99 | 1.73 |
| Depreciation | 1025.28 | 1028.80 | 945.90 | 876.00 |
| Interest | 631.67 | 550.1 | 21.9 | 320.8 |
| PAT | 880.17 | 310.80 | 317.70 | 666.00 |

Source: BSE India; Cygnus Research

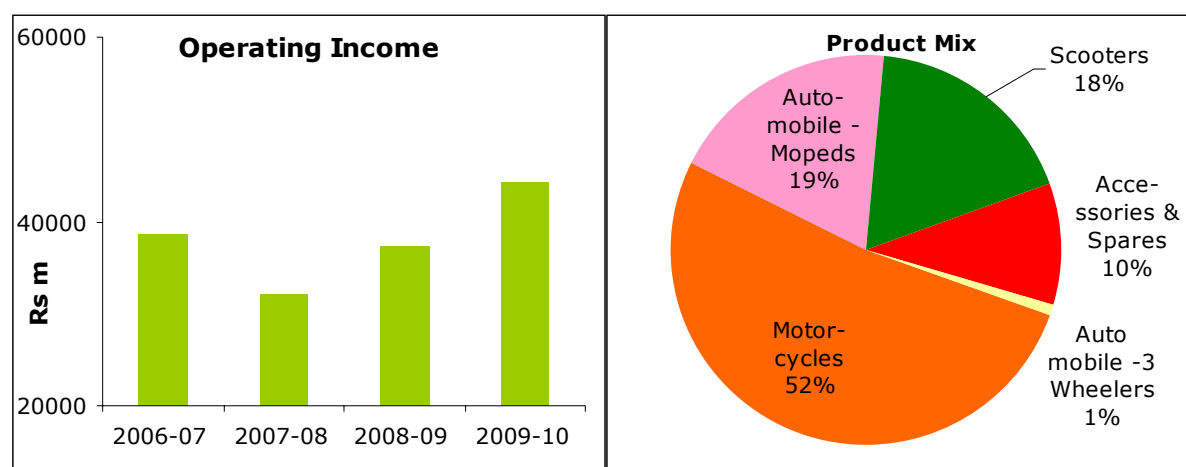
| KEY RATIOS | | | | |
|-----------------------------|---------|---------|---------|---------|
| Item | 2009-10 | 2008-09 | 2007-08 | 2006-07 |
| Debt-Equity Ratio | 1.16 | 1.11 | 0.81 | 0.78 |
| Long Term Debt-Equity Ratio | 1.16 | 1.11 | 0.81 | 0.78 |
| Current Ratio | 1.13 | 1.15 | 1.07 | 1.04 |
| OPM (%) | 5.46 | 5.06 | 4.1 | 5.46 |
| NPM (%) | 1.99 | 0.83 | 0.99 | 1.73 |
| ROCE (%) | 9.85 | 5.37 | 1.08 | 8.66 |
| RONW (%) | 10.53 | 4.21 | 4.13 | 8.87 |

Source: Company; Cygnus Research

| Performance Analysis of TVS Motor Company Ltd | | | | | | |
|---|-----------------------|----------|---------|----------------------------|----------|---------|
| | Quarterly Performance | | | Financial Year Performance | | |
| | JAS10 | JAS09 | Var (%) | 2009-10 | 2008-09 | Var (%) |
| Sales | 16162.40 | 11298.67 | 43.05 | 44301.34 | 37366.70 | 18.56 |
| Other Income | 24.90 | 24.89 | 0.04 | 4.75 | 45.10 | -89.47 |
| PBIDT | 1099.80 | 647.73 | 69.79 | 631.67 | 550.10 | 14.83 |
| Interest | 142.30 | 153.31 | -7.18 | 631.67 | 550.10 | 14.83 |
| PBDT | 957.50 | 494.42 | 93.66 | 1787.02 | 1339.80 | 33.38 |
| Depreciation | 279.80 | 253.00 | 10.59 | 1025.28 | 1028.80 | -0.34 |
| PBT | 677.70 | 241.43 | 180.70 | 761.75 | 311.00 | 144.94 |
| TAX | 129.90 | 4.10 | 3068.29 | -118.43 | 0.20 | 0.00 |
| PAT | 547.80 | 245.53 | 123.11 | 880.17 | 310.80 | 183.19 |

Source: BSE India; Cygnus Research

Performance Analysis



Source: BSE India; Cygnus Research

In 2009-10, the two wheeler industry saw remarkable growth after two consecutive years of low growth and sales crossed 10 million units. Early recovery of the economy from the financial crisis and resurgence in domestic demand aided by fiscal stimulus resulted in exceptional growth rates of 33% and 40% in third and fourth quarters of 2009-10 respectively, resulting in an annual growth rate of 24% for the year. The Company achieved annual two wheeler sales of 1.52million, a growth of 13.1% from 1.34 million units sold in the previous year. The Company recorded an overall growth of 13.1% in two Wheeler sales. This was driven by an impressive 19.4% growth in scooter segment and 30.3% growth in the moped segment. Motorcycle sales are declined by 1% mainly due to lower exports owing to the global financial crisis. Domestic motorcycle sales, however, grew by 6%. New launches of TVS JIVE and TVS wego gave the Company an impressive entry into the unaddressed markets of executive segment of motorcycle and higher cc scooter segment respectively. Both products are expected to pave the way for a higher market

share for the Company in the coming years. Launch of Apache RTR180 has reinforced the Company's position in the premium segment of the motorcycle market. During the year, the Company also launched a four stroke three wheeler with superior features. Sales of spare parts grew by 34%. The turnover increased from Rs37366.70m to Rs44301.34m. The profit before tax (PBT) of Rs761.75m for the year was higher by 144% than the previous year's PBT of Rs311.0m. The profit after tax (PAT) of Rs.880.10m for the year was higher by 183% than the previous year's PAT of Rs.310.80m. During the Quarter JAS10 Company sales increased by 43.05% and recorded Rs16162.40m. Where as other Income increased slightly when compared to JAS09. PBT increased to Rs677.70m to that of the JAS09 Rs241.43m. Tax paid increased drastically to Rs129.90m. PAT increased and reached to Rs547.80m compared to JAS09.

Common Size Comparison:

TVS motors when compared to its peers Hero Honda and Bajaj Auto, Other income for TVS is comparatively low as a percentage of sales when compared to its peers Hero and Bajaj. Raw materials as a percentage of sales TVS is spending 68.14% which is comparatively high as a percentage of sales when compared with its peers Hero 67.65% and Bajaj is 64.58%. Staff expenses of the company are comparatively high with 5.67% when compared to its peers Hero Honda 3.53% and Bajaj 3.35%. TVS is spending 1.84% as a percentage of sales on purchase of traded where as the peer company Hero Honda has no such provision and Bajaj is spending 3.52% as a percentage of sales. Other expenditure of

| Common Size Comparison for 2009-10 (% of Sales) | | | |
|---|--------|-------|-------|
| | TVS | Hero | Bajaj |
| Netsales | 100 | 100 | 100 |
| Other Income | 0.01 | 1.49 | 1.03 |
| Raw Materials | 68.14 | 67.65 | 64.58 |
| Stock in Trade | 0.04 | 0.04 | -0.40 |
| Staff Expenses | 5.67 | 3.53 | 3.35 |
| Cost of traded goods | 1.84 | 0.00 | 3.52 |
| Other Expenditure | 16.41 | 11.33 | 7.33 |
| Depreciation | 2.31 | 1.21 | 1.14 |
| Interest | 1.43 | -0.13 | 0.05 |
| PBT | 1.72 | 17.85 | 20.23 |
| Tax | (0.27) | 3.78 | 5.96 |
| PAT | 9.53 | 3.47 | 4.36 |

Source: BSE India; Cygnus Research

the company is 16.41% of sales which is relatively high when compared with Hero Honda which is 11.33%, where as Bajaj is spending 7.33%. PBT is comparatively low when compared with the peers. Tax is paid in advance by the company. When coming to the PAT TVS is leading in making the profit by 9.53% as a percentage of sales followed by Bajaj with 4.36% and Hero Honda with 3.47%.

Cost Structure Analysis

The Company continues its rigorous focus on its costs through an effective deployment system. Value engineering and aggressive global sourcing projects are being pursued to reduce material costs and also to partially neutralize input material cost increases. In 2009-10 the Raw materials decreased by 412 basis points and stood at Rs30187.92m when compared to that of previous year, Company employee cost decreased by 132 bps and stood at Rs2512.55m. Company's other expenditure and decreased by 132 basis points and stood at Rs7267.86m. Interest declined by 19 basis points and stood at Rs631.67m, tax paid increased by 255 basis points.

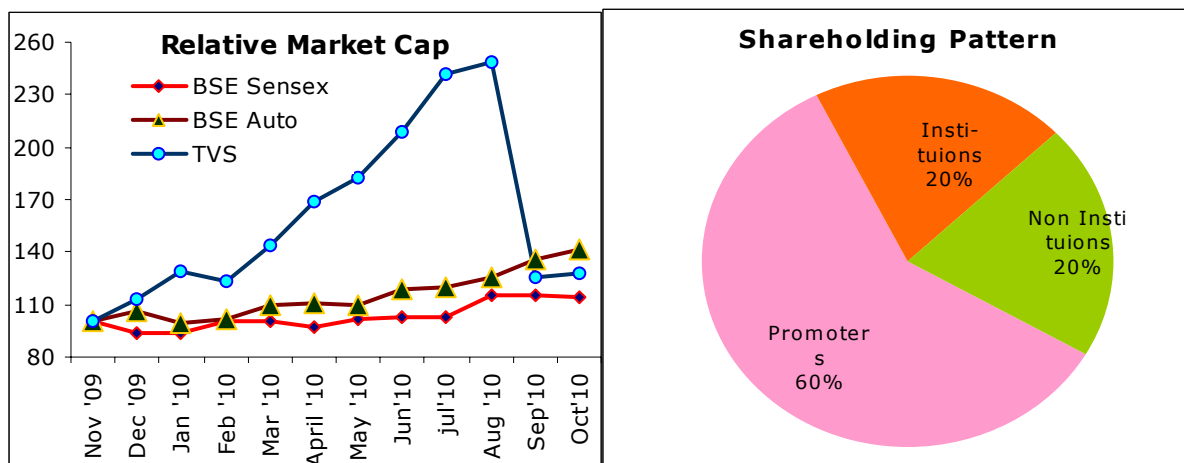
| Cost Structure as Percentage of Operating Income | | | | |
|--|---------|---------|---------|---------|
| | 2009-10 | 2008-09 | 2007-08 | 2006-07 |
| Raw Materials | 68.14 | 71.29 | 0.00 | 0.98 |
| Stock in Trade | 0.04 | 1.62 | -0.81 | 0.98 |
| Staff Expenses | 5.67 | 5.47 | 5.48 | 4.47 |
| Cost of traded goods | 1.84 | 1.49 | 1.50 | 0.00 |
| Other Expenditure | 16.41 | 15.10 | 16.69 | 16.65 |
| Depreciation | 2.31 | 2.75 | 2.94 | 2.27 |
| Interest | 1.43 | 1.47 | 0.07 | 0.83 |
| Tax | -0.27 | 0.00 | 0.11 | 0.63 |

Source: BSE India; Cygnus Research

Stock Performance

Company's stock price, which was at Rs57.25 the end of November 2009, has increased to Rs73.10 by October 2010, The 52-week high seen in the month of August 2010 was at Rs142.10 and a 52-week low price in the November 2009 was at Rs57.25. The company shares have increased by 27.69% from November 2009 to October 2010. Where as Sensex recorded a difference of 3,106.12 points difference in the 52 week and increased by 18.35% and ended by 20,032.34 points by the end of October 2010. Coming to the sector Indices, BSE Auto recorded a difference of 2,893.25 points difference in the 52

week and increased by 41.23% and ended by 9910 points by the end of October 2010. Shareholding pattern of the company as on September 2010 is 60% of the shares are in the hands of Promoters and 20% in the hands of Non-Institutions and rest of 20% in the hands of Institutions.

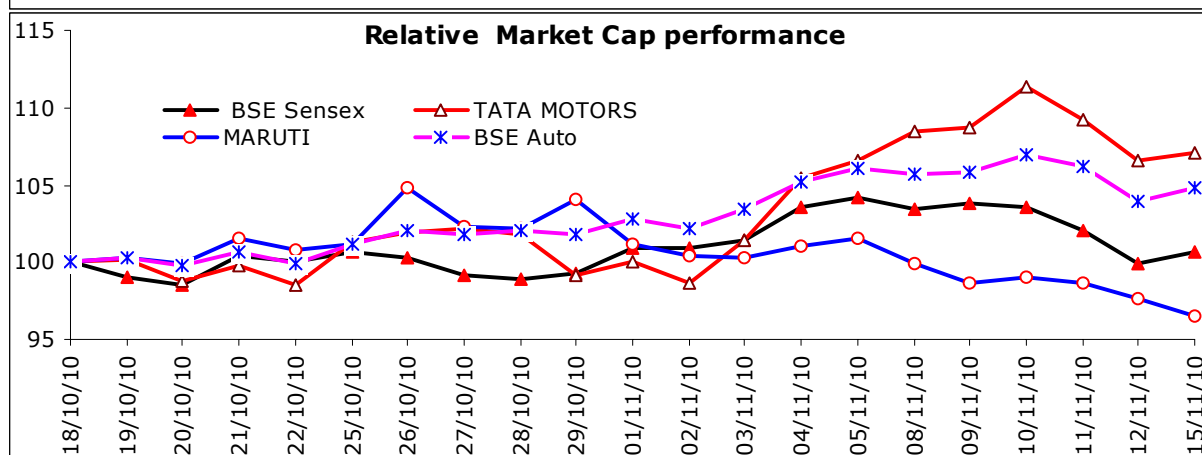
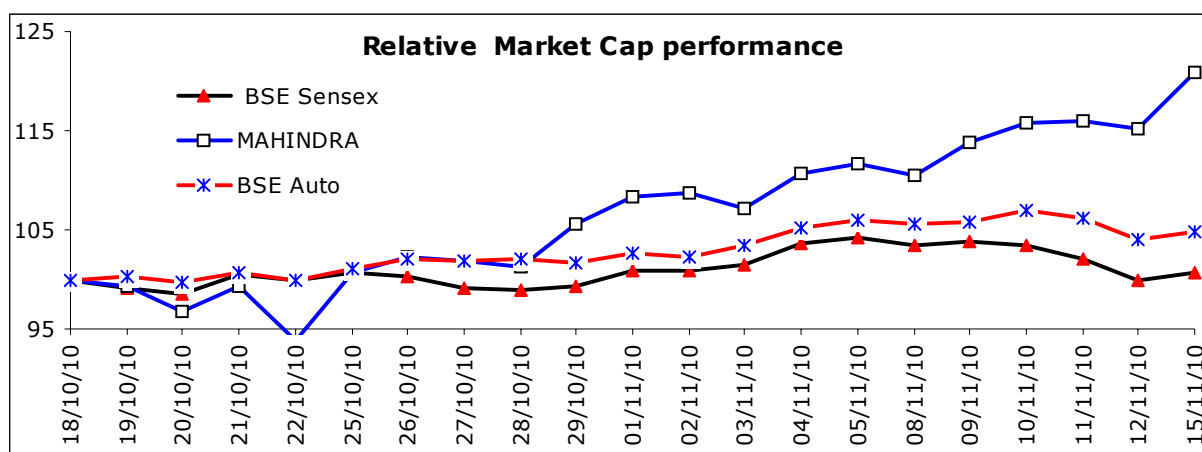


Source: BSE India; Cygnus Research

Outlook

The growth momentum of the economy is expected to strengthen further. Coupled with the Government focus on infrastructure improvement, this will bolster the economies of smaller towns that is less than 1million population and rural areas. This translates to significantly enhance disposable incomes across segments. Thus higher affordability and increased mobility needs will provide considerable scope for industry growth. Consequently motorcycle segment is expected to grow by 14%, ungeared scooter segment by 24% and mopeds by 10%. Growth in two-wheeler demand will come mainly from rising population in target age and income groups and increased use of personal transport. Smaller towns are expected to contribute more to the industry growth. TVS Star City and TVS Sport motorcycles stand to gain from this. Customer acceptance, appreciation of the new technology and 'positive word of mouth' will result in increased sales of TVS JIVE motorcycles. Apache RTR 180 has further strengthened the Company's position in the premium segment. However it requires frequent refreshes and upgrades to remain on top of mind of younger customers. The Company has a strong presence in the sub 100cc ungeared scooter segment. The launch of TVS wego in the large scooter segment further increases the Company's growth prospects in the scooter category.

STOCK SCAN



Source : BSE India; Cygnus Research;

| Index | 1 st Week (18-25 Oct 2010) | | | 2 nd Week (26th Oct -1st Nov 2010) | | |
|------------------|---------------------------------------|-----------|--------|---|-----------------|--------|
| | Opening | Closing | Var(%) | Opening | Closing | Var(%) |
| BSE (points) | 20,168.89 | 20,303.12 | 0.67 | 20,221.39 | 20,355.63 | 0.66 |
| BSE Auto(points) | 9,738.12 | 9849.28 | 1.14 | 9933.73 | 10004.84 | 0.72 |
| TATA (Rs) | 1169.25 | 1184.60 | 1.31 | 1191.80 | 1170.35 | -1.80 |
| MARUTI (Rs) | 1490.45 | 1508.65 | 1.22 | 1562.85 | 1508.70 | -3.46 |
| MAHINDRA(Rs) | 697.00 | 701.75 | 0.68 | 713.10 | 754.70 | 5.83 |

| Index | 3 rd Week (02-08 Nov, 2010) | | | 4 th Week (9-15 Nov, 2010) | | |
|------------------|--|-----------|--------|---------------------------------------|-----------------|--------|
| | Opening | Closing | Var(%) | Opening | Closing | Var(%) |
| BSE (points) | 20,345.69 | 20,852.38 | 2.49 | 20,932.48 | 20,309.69 | -2.98 |
| BSE Auto(points) | 9952.29 | 10290.75 | 3.40 | 10300.88 | 10209.80 | -0.88 |
| TATA (Rs) | 1153.90 | 1268.00 | 9.89 | 1270.55 | 1252.30 | -1.44 |
| MARUTI (Rs) | 1496.65 | 1488.45 | -0.55 | 1470.65 | 1437.85 | -2.23 |
| MAHINDRA(Rs) | 757.85 | 769.50 | 1.54 | 793.00 | 841.90 | 6.17 |

UPCOMING EVENTS

| | | |
|-----------|------------------------|--|
| 1. | Event | International Auto Show |
| | Date | Jan 06-09, 2010 |
| | Venue | Palace Grounds Bengaluru, India |
| | Highlights | It is the most dazzling extravaganza of automobiles in the Southern part of the Country. The presence of overseas participants in this Exposition is an index of popularity and global appeal of this event and will emerge as a worthy forum that connects buyers from all over the country and abroad in the field of AUTOMOBILES, besides contributing to the economy as its fifth largest foreign exchange earner. |
| | Contact Details | Triune Exhibitors Private Limited No. 25, 3rd Floor, 8th Main Road Vasanthnagar, Bengaluru, India, Tel:+(91)-(80)-43307474; Fax:+(91)-(80)-22352772 |
| 2. | Event | IndiaMart Auto show |
| | Date | Jan 07-10, 2011. |
| | Venue | Universtiy Ground, Ahmedabad, India. |
| | Highlights | This event organized in western India. Around 250, 000 visitors and close to 300 exhibitors are expected in this event. It will be the seventh Indiamart auto show and is eagerly awaited by the auto enthusiasts from all over India. |
| | Contact Details | Aakar Expocomm Private Limited, B - 701, Wall Street 2, Ellis Bridge, Ahmedabad - 380 006, India. Tel: +(91)-(79)-65416907; Fax: +(91)-(79)-30025020 |
| 3. | Event | India Rubber Expo |
| | Date | Jan 19-22, 2011 |
| | Venue | Chennai Trade & Convention Centre Chennai, Tamil Nadu, India |
| | Highlights | It will be the showpiece for Indian Rubber Industry to interact with global players. The boom in economy, particularly automobile industry has propelled India as a significant source for rubber products and a huge market for the global vendors. A Conference and a Buyer-Seller Meet are other highlights of this event. |
| | Contact Details | All India Rubber Industries Association, 2nd Floor, Grace Building, No. 25 Mc Nichols Road Chetpet, Chennai - 600 031., India. Tel: +(91)-(44)-42822205; Fax: +(91)-(44)-42822207 |
| 4. | Event | Automotive Testing Expo India |
| | Date | Feb 06-12, 2011 |
| | Venue | Chennai Trade & Convention Centre, Chennai, Tamil Nadu, India |
| | Highlights | It is India's most relevant and significant trade fair for automotive test, evaluation and quality engineering, and event for any engineer involved in this sector of the automotive industry. |
| | Contact Details | UKIP Media & Events (India), 2 Floor, Elegance, Jasola District Centre, Old Mathura Road, New Delhi, India, Tel:+(91)-(99)-10474717; Fax:+(91)-(11)-40601138 |
| 5. | Event | International Auto Show-Baltimore |
| | Date | Feb 10-13, 2011 |
| | Venue | Baltimore Convention Center, Baltimore, United States Of America. |
| | Highlights | The show is an excellent platform for professionals involved in automobiles industries. Attendees will get to see more than 400 new cars, crossovers, SUVs and trucks at this automotive extravaganza. The show will provide information on the green movement which is influencing the auto-world and to admire one-of-a-kind concept cars, exotics, pre-production models and customized cars. |
| | Contact Details | Motor Trend Auto Shows, Inc, P.O. Box 4097, Harrisburg, USA. Tel:+(1)-(717)-5666100; Fax:+(1)-(717)-5667868 |